

Kilkenny County Council

Internal Audit Report Review of Payroll Procedures

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Report Distribution

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Management Team

Audit Committee Members

Local Government Auditor

Introduction

Kilkenny County Council's payroll expenditure for 2020 amounted to €29.6m. This was 27% of the total expenditure of the Council in 2020. Therefore, it is vital that there are strong controls in all areas of the payroll process. Kilkenny County Council uses an IT software system called Core to process payroll. The information from Core is accessed by MyPay, the Local Authority Payroll and Superannuation Shared Service. MyPay provides services to Local Authorities from a single Shared Service Centre based in Portlaoise, Co Laois.

Wages are paid to outdoor staff who complete weekly timesheets including hours worked and allowances. Salaries are paid to indoor staff based on their salary pay scale. Both wages and salaries staff are paid fortnightly.

Objectives

The objectives of the audit are to review the controls relating to the payroll process and to provide reasonable assurance to management that adequate procedures are in place.

Approach

Internal Audit looked at the payroll system in three distinct processes:

- Timesheets completed and processed by service areas. Employees hours/allowances entered into Corepay system.
- Procedures in Payroll Office in relation to checking and verifying data on CORE.
- Wages/Salaries are paid to staff by Mypay. Finance Department reimburses Mypay of the fortnightly payroll amount.

Scope & Limitations of scope

Internal Audit looked at a representational sample of timesheets in June 2021. Processes and procedures from timesheet completion to the payment of wages/salaries to the staff were also looked at.

Audit Risk

- Incorrect calculation and payment of salaries/wages.
- Inadequate controls leading to possible fraud or error.
- Additional cost to the Council.

Co-operation of Management and staff

Internal Audit received full co-operation from Council Management and Staff throughout the course of this review and would like to thank them for their assistance.

Internal Audit Opinion

Internal Audit's findings and recommendations are detailed below. Based on this review the audit opinion for Payroll Procedures is reasonable assurance. There is a sufficient framework of key controls for objectives to be met. Risks are managed but could be stronger. Controls are generally applied but some lapses in the application of controls have been observed.

This report was distributed to the Corporate Directorate and includes their Management Action Plan.

The report was approved by the Management Team on 1st March 2022.

The Audit Committee reviewed the Audit Report at their meeting of 7th March 2022.

Brigid Webster, Internal Auditor

Findings & Recommendations

1. Timesheets

Meetings with staff from various sections including administration staff, supervisors, engineers and management were held to discuss the payroll process. Internal Audit examined 862 timesheets from 12 sections within Kilkenny County Council. The division of work in processing the timesheets varies to a large degree between sections, see table below.

Service Area	No of staff
Kilkenny Area Office	66
Water Services	47
Machinery Yard	34
Castlecomer Area Office	33
Ferrybank Area Office	20
Thomastown Area Office	17
Housing Section	16
Callan Area Office	16
Woodstock - Parks	13
Dunmore Recycling	6
Library	4
Fire Services	1

Internal Audit note that some of the findings relating to timesheets do not apply to all sections and that some of the recommendations are in use already by some sections. Internal Audit recommends that sections review all of the findings/ recommendations and implement the recommendations that are currently not in use by their section. Any errors that were found in keying timesheets have been referred back to the individual sections for checking and rectifying. The recommendations for timesheets below should be implemented in the short term.

<i>Findings</i>	<i>Implications</i>	<i>Recommendation</i>	<i>Management Action Plan & Timeframe</i>
<p>1. Timesheets are not completed in full. Basic information not included – name, dates, description/ location of work and required signatures.</p>	<p>Incomplete records as employee does not sign their own timesheet.</p>	<p>Basic information is required on timesheets, see Appendix A. All employees should sign their own timesheet. Internal Audit is aware that in some cases the supervisor completes timesheets for staff. However, each employee has a responsibility to sign off on the details entered on timesheets. This would reduce the risk of possible future questioning of hours/allowances by employee.</p>	<p>HR will follow up with relevant areas to ensure time sheets are signed by relevant staff. Spot checks will also be undertaken by HR.</p> <p>Actioned – emailed Line Management 28-02-2022</p>
<p>2. Some timesheets are not signed by any supervisor.</p> <p>Staff member keying timesheets into CORE is spending unnecessary time querying information on timesheets.</p>	<p>Lack of authorisation.</p> <p>Incorrect information and missing information on timesheets.</p>	<p>It's the supervisor's responsibility to ensure timesheets are completed.</p> <p>Supervisors should check, certify and sign all timesheets before submitting to the section for keying.</p>	<p>HR will follow up with relevant areas to ensure time sheets are signed by relevant staff. Spot checks will also be undertaken by HR.</p> <p>Actioned – emailed Line Management 28-02-2022</p>
<p>3. Overtime request forms not in use in some sections. See Appendix B.</p>	<p>No explanation for the requirement of overtime. Overtime not being certified by supervisor</p>	<p>Overtime request forms should be used to explain reasons for overtime, See Appendix B. Overtime sheets should be certified by the supervisor.</p>	<p>Overtime request forms will be re-circulated with an explanation to each service area for use and spot check to ensure compliance</p>

<i>Findings</i>	<i>Implications</i>	<i>Recommendation</i>	<i>Management Action Plan & Timeframe</i>
			Actioned – emailed Line Management 28-02-2022
4. Engineer/authorised person not certifying/signing timesheets and overtime request forms.	Lack of authorisation.	Engineer/authorised person should certify/sign all timesheets and overtime request forms including the supervisor's timesheet. The hours/allowances entered into CORE should be reconciled back to the timesheets, see Appendix C.	As above Service areas will be requested to reconcile timesheets as detailed Actioned – emailed Line Management 28-02-2022
5. Insufficient checks of hours/allowances inputted into CORE. CORE timesheet reconciliation report not printed in all sections, following keying of timesheets.	Potential errors in keying timesheets not being discovered. Possible incorrect payment of wages.	The Engineer/authorised person should certify the hours/allowances entered into CORE. Ideally, this certification should be done through the CORE system. In the absence of this, a CORE timesheet reconciliation sheet should be signed. A CORE timesheet reconciliation report should be printed and signed following input of timesheets.	The existing HR Procedure Manual will be reviewed, amended and circulated to each service area paying wages. To include for certification, signing and reconciliation of timesheets. A workshop will be held with relevant staff to detail procedures Actioned – emailed Line Management 28-02-2022

Findings	Implications	Recommendation	Management Action Plan & Timeframe
<p>6. Incorrect data inputted from timesheets into Core;</p> <ul style="list-style-type: none"> ➤ Hours/codes assigned to incorrect dates ➤ No narrative/reason applied to data entry ➤ Double entry of annual leave/basic hours 	Possible incorrect payment of wages.	The hours/allowances entered into CORE should be reconciled back to the timesheets, (see Appendix C) and certified by the engineer/authorised person.	<p>The HR procedure will be reviewed, amended and circulated to each service area paying wages. To include for certification, signing and reconciliation of timesheets.</p> <p>A workshop will be held with relevant staff</p> <p>Actioned – emailed Line Management 28-02-2022</p>
7. Procedure Manuals are not in place in all sections.	Inconsistent work methods between sections.	<p>A Generic Procedure Manual is available from HR. Any additional codes/allowances etc., relevant to the section should be added to the manual.</p> <p>The manual should also include details of the reconciliation and certification of hours/allowances input on CORE.</p>	<p>HR Procedures Manual will be reviewed as above.</p> <p>Sections will be requested to prepare section procedure manuals</p> <p>Actioned – emailed Line Management 28-02-2022</p>
8. There is no cover for some staff keying timesheets when they are on leave etc.	Wages may not be processed.	All sections should ensure that there is a trained back up staff member with suitable knowledge of keying timesheets, to ensure continuity of service.	Noted line managers will be requested to ensure appropriate cover in place in service areas.

Findings	Implications	Recommendation	Management Action Plan & Timeframe
			Actioned – emailed Line Management 28-02-2022
9. Inconsistent method of applying and recording of TOIL (time off in lieu) on CORE.	Incomplete records	Method for recording TOIL to be agreed with HR. The method agreed is to be used across all sections to ensure consistency. This will allow for the input and recording of TOIL on CORE.	<i>KCC is currently in discussions with relevant staff & representatives to implement a common approval to TOIL.</i> Under IR

2. Payroll/HR Section

There are strong system controls inbuilt in CORE system. Internal Audit notes improved controls are in place in the Payroll Section since the last audit, these include dual certification and authorisation. All staff are paid by EFT. MyPay return payroll information to Payroll Section to check before run is finalised. Further findings and recommendations are in the table below.

Findings	Implication	Recommendations	Management Action Plan & Timeframe
1. Inconsistent method of applying and recording of TOIL (time off in lieu) on CORE. Different rates in use for the granting of TOIL.	Incomplete records.	Method for recording TOIL to be agreed and instruction to be provided to sections regarding keying of TOIL. Internal Audit notes different ways in the processing/ granting of TOIL. A Policy needs to be put in place for TOIL. Following discussions with HR it is noted that this	<i>HR will arrange for system to record and implement TOIL. This will be added to the existing general procedures manual</i> To action

Findings	Implication	Recommendations	Management Action Plan & Timeframe
		matter is being progressed through the IR mechanism currently.	
2. One staff member works solely on payroll. Another staff member is being trained to cover the payroll process in her absence.	In the instance if the routine staff member who runs the payroll is absent, there may be a lack of experience of the back-up staff member to process the payroll.	The back-up staff member for the payroll run should routinely carry out the payroll run. This will increase knowledge and expertise in this area and ensure continuity of service.	Cover now in place Implemented
3. Kilkenny County Council is required to ensure compliance with the Working Time Directive. The ability of HR Section to monitor and ensure compliance with the Working Time Directive was not evident. There appears to be a lack of expertise in producing reports from CORE.	Kilkenny County Council may be in breach of the WTD. Staff working more than the maximum average of 48 hours per week could possibly be in breach of the WTD.	Internal Audit notes that there is a module in the new CORE system for the WTD. HR should investigate the functionality within CORE for the monitoring of the WTD. HR should look at the use of Data Analytics to extract data on 'time worked'. Further training on the new CORE system and reporting suite should be arranged for the relevant staff in HR Section to include the WTD.	Data Analytics Team devising monitoring report and analysis to follow with interventions as required
4. The processing of timesheets involves considerable manual administration.	Kilkenny County Council may not be achieving the most efficient use of resources.	HR Section should investigate changing to an automated system. The aim would be to cut unnecessary administration costs, reduce	HR to consider as part of overall transformation agenda – digitalisation of services and more extensive use of CoreHR

<i>Findings</i>	<i>Implication</i>	<i>Recommendations</i>	<i>Management Action Plan & Timeframe</i>
A more efficient automated system should be looked at going forward.		potential errors and allow for more accurate real time record keeping.	

3. Finance Section

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action & Timeframe</i>
<p>1. MyPay send a copy of the final payroll listing and request payment of the total payroll sum. The payroll section checks and verifies the final figure and requests the Finance Section to forward payment.</p> <p>Payment to MyPay is made via an online bank transfer. There is a two-person bank authorisation in place. This task can be authorised by Senior Staff Officers, Administrative Officer or Financial Management Account.</p>	The spend approval limits for staff are set out in Kilkenny County Council's Financial Policies & Procedure, Purchase to Pay document. There is no clear procedure in relation to the authorising of the amount and the transfer of funds for the payroll.	The procedure to cover the authorisation and transfer of funds for the payroll should be documented. It should clearly outline who is authorised to carry out this function. Payment to MyPay is normally in excess of €700k per fortnight.	Finance will review and document the procedure fully.

4. Overtime

Overtime accounts for approx. 4% of payroll costs each year, (see Appendix D). €1.1m of overtime was paid to staff in 2020. Overtime is necessary in many cases due to the nature of the services Kilkenny County Council provide. Certain services such as street cleaning, road and water repairs have to be carried out outside of normal working hours to lessen inconvenience on the general public.

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action & Timeframe</i>
1. The highest recipient of overtime payments received €22k in 2020. A further 24 staff received over €10k in 2020.	Due to some staff receiving large overtime payments. It's possible that these staff are in breach of the Working Time Directive, i.e. working more than maximum average of 48 hours.	Where staff are receiving large amounts of overtime pay, management should review work practices to ensure overtime is necessary. Management should also ensure that staff are in-compliance with the WTD.	Noted
2. In most cases there are no overtime report forms in place to explain reason for overtime.	No explanation for the requirement of overtime. Overtime not being certified by supervisor.	All overtime should be recorded on an overtime request form which should be signed by the supervisor and engineer/authorised person, (see Appendix B.)	Noted

Appendix A – Sample Time Sheet

PERIOD:- SUNDAY TO SATURDAY						PERIOD END: _____						
Employee No:-		Employee Name:-		Title:-								
Day	Date	Start Time	Finish Time	Job Descri	Job Code	Op Code	No. of Basic Hours	Hours at Time + 1/2	Hours at Double time	Total Actual Hours Worked	Allowance Code	No. of Allowances
Sun												
Mon												
Tues												
Wed												
Thurs												
Fri												
Sat												
							Total No of hrs					
Employee Signature:- _____				Completed by Supervisor: _____				Completed by: Engineer: _____				

Appendix B – Sample Overtime Request Form

Request Details	
Name of Supervisor	Job Code
Service Area	Estimated time period required Hours _____
Location	
Details of works required	
Names of staff required	
1.	2.
3.	4.
5.	6.
7.	8.
9.	10.
Reason works were not done in standard hours	
Steps taken to prevent overtime	
Required for approval by	
Signature _____	Date _____
Supervisor	
Approval Details	
	Approval granted as requested above
	Approval is given for overtime to a maximum of _____ hours per employee at the discretion of the supervisor
Signature _____	Date _____
Engineer/Authorised Person	

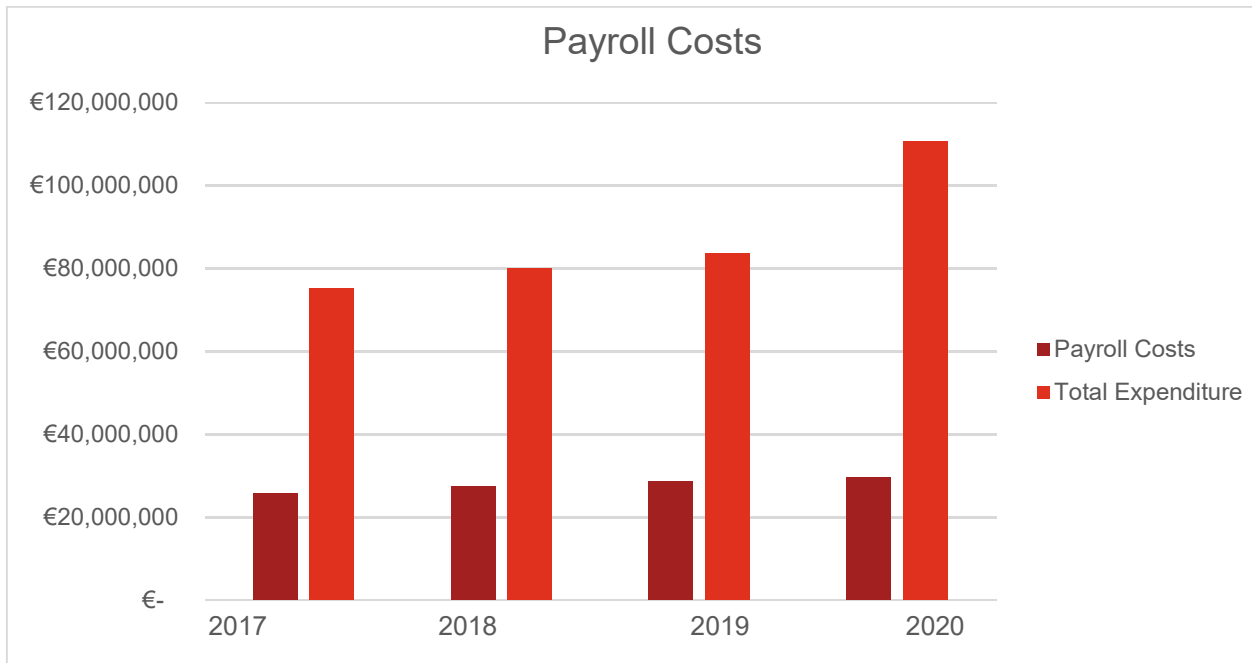
Appendix C – Sample CORE Reconciliation Template

Core Reconciliation Timesheet

Section:		Week Ending:		Payroll Period:															
NAME	EMP. NO.	NORMAL TIME		2010 - O/T @ 1½		2011 - O/T @ D/T		Acting Time		Allowance Units									
Joe Bloggs	11xxxxx	39	00	2	30	1	30	5	00	5	00								
John Smith	11zzzzz	39	00	1	00	2	00			5	00								
Total		78	00	3	30	3	30	5	00	10	00								
Timesheet Keyer																			
Engineer/Authorised Person																			
										TOTAL UNITS ON TIMESHEET				100			00		
												TOTAL UNITS ON CORE							

Appendix D – Payroll Costs

YEAR	2017	2018	2019	2020
TOTAL PAYROLL COSTS	€25,690,815.00	€27,359,808.00	€28,635,858.00	€29,601,473.00
TOTAL EXPENDITURE	€75,241,377.00	€80,121,066.00	€83,580,464.00	€110,617,575.00
OVERTIME	€991,776.00	€1,236,890.00	€1,202,282.00	€1,152,882.00



Source – Appendix 1 Annual Financial Statements